PRIVATE PENSIONS

Changes Can Produce a Modest Increase in Use of Simplified Employee Pensions

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The Honorable Nancy Landon Kassebaum
United States Senate

Dear Senator Kassebaum:

In July 1990, you asked us to review the use of simplified employee pensions (SEPs), especially current usage levels and potential legislative improvements that could increase the number of small employers that use these plans. After discussions with your office, we agreed to report on

- the extent to which small businesses sponsor SEPs and other retirement plans,
- reasons for low levels of plan sponsorship, and
- the likely effect of proposed legislative changes on SEP sponsorship and worker coverage.

The methodology used in conducting our study is discussed in appendix I.

Results in Brief

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Although the Congress created simplified employee pensions in 1978 to help increase small business sponsorship of retirement plans, their impact on worker coverage has been minimal.[1] Of approximately 98 million workers nationwide, about 41 million are employed by small businesses. Recent estimates show that between 1 and 4 percent of small business employees participate in a SEP.

In part, the limited use of SEPs is related to factors associated with low rates of retirement plan sponsorship generally among small businesses. For example, employers may be motivated to provide retirement benefits in order to attract, retain, and reward productive employees. Compared with large businesses, which have high levels of plan sponsorship, small businesses tend to employ more young, low-wage, and part-time workers, encounter higher turnover, and be less unionized. These workforce characteristics, research has shown, are associated with low retirement plan coverage. Also, many small business employers, whose profits are often low or unpredictable, cite the cost of providing additional compensation as a primary deterrent to plan sponsorship. Related to these cost concerns are the lack of preference by employees for compensation in the form of retirement plan contributions, the priority given to provision

[1]For purposes of this study, we define small businesses as those with fewer than 100 employees.

of health insurance, and the problems some employers have in complying with complex and changing federal regulations.

While SEPs are easier to set up and administer than other small business retirement plans, they do not address many of the factors that discourage plan sponsorship. Thus, for many employers simplicity alone is an insufficient incentive for plan sponsorship. Also, specific SEP provisions—such as inclusive participation requirements and immediate vesting for all participants—may limit their use. Finally, financial institutions and advisors have little incentive to market SEPs, which further contributes to low utilization.

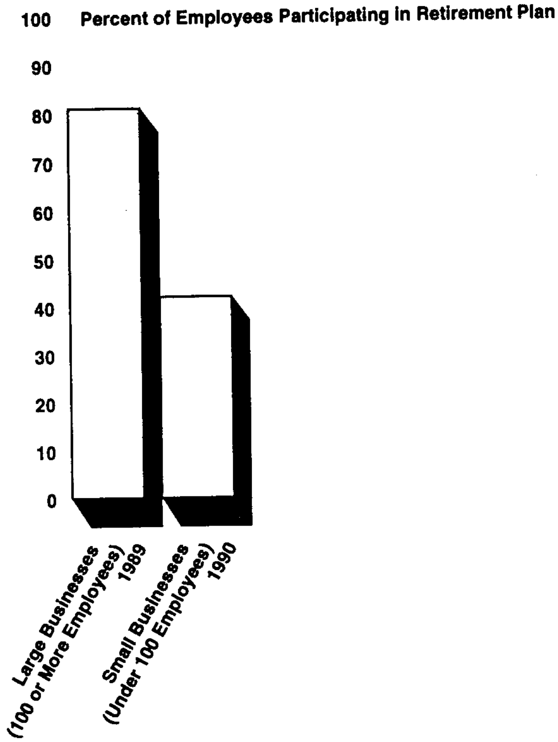
Current proposals in the 102nd Congress could improve the attractiveness of SEPs to small employers, although the overall effect on sponsorship is likely to be quite modest. Also, recent data suggest a limited scope for improving plan sponsorship and worker coverage through incremental policy changes. Most small employers indicated they would sponsor a plan only if their profitability improved or workforce characteristics changed. Many nonsponsoring firms indicated that they had no interest in starting a plan.

Background

Small businesses play a significant role in the nation's economy. They substantially outnumber large businesses and employ about 42 percent of the U.S. workforce, or 41 million workers in 1990. The small business sector is also the fastest growing segment of the U.S. economy. However, compared with large firms, small businesses are much less likely to sponsor private retirement plans.

In 1990, about 42 percent of full-time employees of small businesses participated in a retirement plan, data from the Bureau of Labor Statistics (BLS) show, while 81 percent of full-time employees of medium-size and large businesses in 1989 did so (see fig. 1). Among employees working for the smallest businesses (under 25 employees), only about 13 percent participated in a private retirement plan in 1990. Further, retirement plan sponsorship and participation in general has remained static or declined throughout the 1980s, according to most estimates, depending on the source of the data and the definition of coverage used. For example, the number of small business employees participating in a retirement plan decreased by about 3 percentage points between 1979 and 1988, according to a Small Business Administration (SBA) analysis of U.S. Census data.

Figure 1: Retirement Plan Coverage of Full-Time Employees



Sources: BLS, Employee Benefits in Medium and Large Firms, 1989 and Employee Benefits in Small Private Establishments, 1990.

The Congress has been concerned that low levels of retirement plan sponsorship and participation by small businesses could result in large numbers of retirees without private retirement income and that this might place increasing pressure on Social Security and other government-sponsored systems.[2] Currently, the Congress is considering several retirement plan reform proposals, the objectives of which are to simplify retirement plan regulations and expand coverage, specifically in the small business sector.

[2]Increased pension plan sponsorship represents just one dimension of workers' retirement income security. Legislation affecting pensions (such as tighter vesting provisions) has increased over time the proportion of workers that actually receives retirement income, irrespective of any changes in coverage rates. Also, increased coverage rates may not have a significant impact on the retirement security of certain types of workers, such as those who change jobs frequently.

A business may sponsor a defined benefit plan or a defined contribution plan (DC) or both. A defined benefit plan bases future benefits on a specific formula. In contrast, a defined contribution plan bases pension benefits on the amount of money accumulated in the participant's individual account. Most small businesses sponsor defined contribution plans. They are generally considered less burdensome and expensive to administer than defined benefit plans and involve fewer federal regulations.

The types of defined contribution plans sponsored by small employers differ. Those most common include cash or deferred (401[k]) arrangements, savings and thrift plans, and profit-sharing plans. To qualify for preferential tax treatment, these plans are subject to a variety of federal regulations designed, among other things, to protect employee rights and assure that employer contributions are distributed equitably among higher and lower paid employees. Included are rules governing reporting and disclosure of plan information, and nondiscrimination rules designed to ensure that a plan does not discriminate in favor of higher paid employees.[3]

SEPs Created for Small Businesses

To comply with federal pension regulations, a firm may have to incur the expense of hiring a consultant to design and administer its pension plan. To encourage more small businesses to offer retirement plans, the Congress in 1978 authorized simplified employee pensions as a less burdensome alternative. Created by amendment to section 408 of the Internal Revenue Code, SEPs are easier to set up and administer and generally involve no federal filing or reporting requirements.[4]

Under a SEP, an employer contributes to each employee's individual retirement account (IRA). The employee is fully vested (has full ownership of plan assets) and has immediate access to funds once the contributions are made, subject to the normal IRA restrictions. These contributions are not taxed as income to the employee and are deductible by the employer as an ordinary business expense. The employer contracts with a financial institution (generally a bank, brokerage house, mutual fund company, or insurance company) to administer the SEP. All employees who are at least 21 years of age, have worked for 3 of the past 5 years, and have earned at

[3]For background on these rules, see Private Pensions: 1986 Law Will Improve Benefit Equity in Many Small Employers' Plans (GAO/HRD-91-58, Mar. 1991)

[4]An employer may also modify a SEP to better meet the needs of the business. In this case, the modified SEP plan must be filed with the IRS.

least $363 annually (1991 amount) are considered eligible and must be included in the plan.

Employers are not required to contribute to an employee's SEP, but when contributions are made they must be distributed as a uniform percentage of pay to all employees. Amounts can go as high as 15 percent of compensation or $30,000 for each employee annually, whichever is less. If a plan is considered "top heavy" (more than 60 percent of SEP contributions go to key employees), the employer may be required to make a minimum contribution to the non-key employees.[5]

In 1986, the Tax Reform Act created a special type of plan, a salary reduction SEP (SARSEP). It works like a simplified 401(k) plan in that employees can contribute by electing to have a portion of their compensation deposited directly to their IRA-SEP account. Employees' taxable income is reduced by the amount of their SARSEP contributions.

Additional requirements are imposed on SARSEPS. While regular SEPS are available to firms of any size, businesses adopting a SARSEP may have no more than 25 employees, of whom at least 50 percent must voluntarily participate in the plan. Employees can contribute to their account up to 15 percent of compensation annually, or $8,728 (in 1992), whichever is less.[6] Employers also can contribute to employees' regular SEP accounts, as long as the total contributions do not exceed the lesser of 15 percent of compensation or $30,000 annually, as with a regular SEP. Like other defined contribution plans with salary reduction arrangements, SARSEPS require periodic testing to ensure that highly paid employees do not contribute disproportionately more than lower paid employees.

[5] The Internal Revenue Code defines key employees generally as an owner, officer, or highly paid employee.

[6] The limit on employee contributions to a SARSEP is identical to that imposed on 401(k) arrangements.

Retirement Plan Sponsorship, SEP Utilization Low Among Small Businesses

While SEPs were created to help increase retirement plan sponsorship among small businesses, the available evidence suggests that they have not been very successful. Recent data from the BLS and SBA confirm that the level of SEP sponsorship and employee participation is low.[7] BLS data on the rate of employee participation in small business defined contribution plans (see fig. 2) shows that 1 percent of employees participate in a SEP. The SBA survey shows that of 41 million workers in small businesses in 1990, about 1.7 million or 4 percent had a SEP available.[8]

Reasons for Low Sponsorship by Small Businesses of Retirement Plans and SEPs

Low SEP use is related in part to its specific requirements. However, it is not easy to separate the impact of these requirements from more general factors that affect small employers' decisions to sponsor any type of retirement plan. Such factors as the nature of the workforce and cost help explain the low level of plan sponsorship among small businesses and hence underlie the low level of SEP utilization.

Workforce Factors and Cost Among Reasons for Low Sponsorship

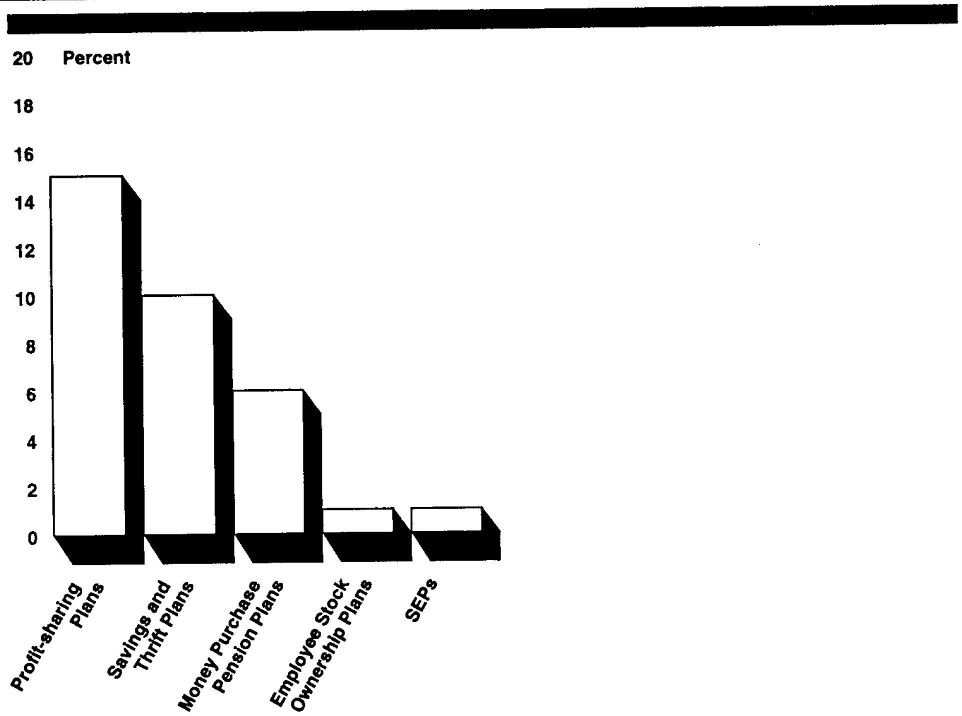
While pension plans benefit workers by providing compensation in the form of retirement income, employers are motivated to sponsor a plan by various potential advantages.[9] One set of motivations involves the labor market. Employers may want to attract productive workers, reduce turnover, and encourage work effort over their employees' careers. Another motivation to provide pensions is that they offer a tax-sheltered form of compensation. Employers' contributions are tax deductible, and participants pay taxes only when they receive benefits. Such tax deferral features are particularly attractive to highly paid employees or business owners.

[7]BLS recently released data from a 1990 survey of small establishments, and the Small Business Administration (SBA) has gathered information through a nationally representative survey of firms in 1991. See BLS, Employee Benefits in Small Private Establishments, 1990, Sept. 1991, and Lewin/ICF, Retirement Plan Coverage in Small and Large Firms, Draft Report to SBA, Nov. 1991. Note that the final report to SBA has not been released and therefore the data used here should be considered as preliminary.

[8]The SBA data include part-time workers. For this and other reasons, the data are not strictly comparable to the BLS data.

[9]See Zvi Bodie, "Pensions as Retirement Income Insurance," Journal of Economic Literature, Vol. XXVIII, Mar. 1990, pp. 28-49, and Emily S. Andrews, Pension Policy and Small Employers: At What Price Coverage? Employee Benefit Research Institute, 1989.

Figure 2: Defined Contribution Plans—Full-Time Employee Participation, Small Establishments, 1990



Note: Employees may participate in more than one type of plan.

Source: BLS, Employee Benefits in Small Private Establishments, 1990, Sept. 1991.

Differences in workforce characteristics between small and large businesses in part account for lower sponsorship of retirement plans in the small business sector, recent studies suggest. For example, as small businesses tend to employ more lower paid workers with less interest in deferred compensation, they have less motivation to sponsor a plan to attract employees. The SBA survey identified the following workforce characteristics, common among small businesses, that are associated with low retirement plan sponsorship:

- Less unionization,
- Lower wages,
- Many part-time workers,
- Younger workforce, and/or
- Higher turnover.

Employer motivations, workforce characteristics, and other factors relate to the cost of providing additional compensation in the form of pensions, which is a primary consideration in employers' decisions to sponsor a plan. Employer surveys consistently find cost to be the most predominant reason cited for nonsponsorship. In 1985, for example, 50 percent of employers with fewer than 100 full-time employees responding to a survey cited affordability as a reason for not sponsoring a plan. This response was cited over four times as often as any other reason for plan nonsponsorship.[10] In SBA's 1991 survey, 53 percent of small employers without plans cited economic reasons such as income variability as a primary reason for not sponsoring a plan. Many small business owners, in particular those whose profits are low or uncertain, believe they cannot afford to offer a retirement plan.

Another factor affecting cost is the expense of setting up and administering a plan. Many employers claim that the complex and changing nature of federal regulations increases plan costs. During the 1980s, the Congress enacted on average one statute per year that extensively affected private retirement plans. The plan revisions and amendments required as a result are costly, small business advocates and retirement plan researchers point out, and add to the burden of retirement plan administration. Among chief executive officers of small and medium-size companies surveyed in 1991, 66 percent believed laws and government regulations discourage employers from sponsoring and maintaining a qualified retirement plan.[11] The 1991 SBA survey found that among the smallest businesses (under 25 employees) that had terminated their plans, 61 percent said they did so primarily because federal laws and regulations made the plan too costly or burdensome and limited benefits to owners. On the other hand, the SBA survey found that only 9 percent of its respondents cited federal laws/regulations as a primary reason for not sponsoring a plan.

Federal requirements for equitable distribution of pension plan benefits among owners and higher and lower paid employees may be another factor in the decision not to sponsor a plan. By reducing a firm's flexibility to tailor compensation according to its preferences, these regulations affect businesses of all sizes. But the impact is greater on small businesses,

[10] NFIB Research and Education Foundation, Small Business Employee Benefits, Dec. 1985.

[11] The Wirthlin Group for Milliman and Robertson, Inc., Chief Executive Officer Attitudes Towards Pension Plans, Apr. 1991.

which have a larger ratio of owners and higher paid employees to lower paid employees, retirement plan experts generally agree.

Employee preferences for the type of compensation provided also may play a role in affecting the pension plan sponsorship decision. Small businesses tend to employ younger, lower paid workers who frequently prefer to receive compensation in the form of wages. In addition, when choosing one or the other, employers almost always will provide health insurance before providing a pension plan.

SEP Design Features May Discourage Sponsorship

The ease with which SEPS can be set up and administered has played a role in their sponsorship by small employers. For example, SBA data show that among firms with fewer than 100 employees that sponsor a DC plan, 20 percent of employees have a SEP. For firms with fewer than 25 employees that sponsor a DC plan, the rate of SEP availability is 26 percent. This latter figure suggests that SEPS have had some success in attracting employers and fare well in comparison with other DC plan types when a firm does sponsor a plan. However, most employees of small firms do not have a retirement plan and the simplicity of SEPS has not provided sufficient motivation for more employers to start one.

Certain SEP requirements may discourage more widespread use:

1. SEP participation requirements are rigid. Under other defined contribution plans, employers are allowed to exclude certain part-time employees (those who work fewer than 1,000 hours annually) from participation. A SEP, however, must include all employees who are 21 years of age or older, have worked for 3 of the preceding 5 years, and earned at least $363 (in 1991) annually. Essentially, this means that employers must include in the plan all employees, including part-time employees and those who do not want to participate. Some believe this increases the costs of plan sponsorship and limits the flexibility of firms in directing tax-deferred compensation to particular employees or business owners.

2. The immediate, 100-percent vesting requirement for all plan participants was cited as a hindrance by small employers and retirement plan experts. Immediate vesting of employer contributions diminishes employers' ability to use the plan as a tool to encourage employee loyalty and reduce turnover. Under other plans, full vesting can be deferred for up to 7 years.

3. Federal requirements concerning SARSEPS can unnecessarily restrict the number of small employers that may use these plans. SARSEPS are available only to businesses with 25 or fewer employees. Some retirement plan experts and small business advocates support expanding SARSEP availability to include businesses with 26-100 employees. Presumably, they believe more businesses would make use of a SARSEP if it were available to them. Others suggest, however, that businesses in this size range that are interested in sponsoring a plan would be more likely to adopt a more flexible, widely known plan, such as a 401(k). Also, to sponsor a SARSEP an employer must achieve a voluntary 50-percent participation rate among its employees. More employers would be likely to use a SARSEP if this requirement were not in place, some retirement plan experts and small business advocates believe. Furthermore, in part because financial institutions and advisors do little to market SEPS, there is a general lack of knowledge among small employers about the plans, according to retirement plan experts and small business advocates. Some say marketing is neglected because SEP marketers can earn more from other types of qualified plans, which require more technical assistance and thus command higher fees. As a result, marketing efforts are focused on these plans rather than SEPS.

Retirement Plan Reform Proposals Could Affect SEPs

Several retirement plan reform bills have been introduced and debated in the 102nd Congress. Also, in April of 1991 the Administration announced its version of retirement plan reform, called Pension Opportunities for Workers' Expanded Retirement (POWER). The objectives of these bills and the POWER proposal are to simplify retirement plan regulations and expand coverage to more workers—particularly those employed by small businesses. They would accomplish this by, among other things, simplifying 401(k) nondiscrimination rules, expanding 401(k) availability, simplifying several retirement plan rules, and modifying SEP rules. SEPS would be changed in any or several of the following ways:[12]

1. The 50-percent voluntary participation requirement imposed upon SARSEPS would be repealed (all proposals).

2. The pool of employers eligible to use SARSEPS would be expanded from those with up to 25 employees to those with up to 100 employees (all proposals).

[12]Appendix II presents the provisions of each proposal that would alter current SEPs.

3. Relief would be allowed from SARSEP discrimination testing if various minimum employer contributions were made (all proposals). For example, the POWER proposal would require employers to contribute 2 percent of compensation to each employee. The Chandler bill (H.R. 2641) allows relief from discrimination testing if employers match 100 percent of employee contributions up to the first 3 percent of compensation.

4. SEP employee eligibility requirements would be changed to allow the exclusion of some part-time employees from plan participation (three proposals).

Available data did not enable us to assess quantitatively the impact of specific provisions or proposals. However, as most proposed changes address a currently perceived drawback to SEP sponsorship, it appears that collectively they could help increase the attractiveness of SEPs to some employers.[13]

Relieving employers from discrimination testing through mandatory employer contributions for all plan participants is one proposed change that may discourage SARSEP sponsorship. Small business owners and advocates strongly resist any requirement for employer contributions to all employees (even those who do not contribute themselves) and consider this approach more expensive than any administrative cost savings it might realize. They believe that proposals that would require employers to match some portion of the contributions made by employees are more acceptable. As contributions need be made only for employees who contribute themselves, this approach is less costly to employers.[14]

Although the legislative changes would make SEPs more attractive, they likely would have no significant impact on overall worker coverage. Our analysis of SBA data suggests that changes in regulations or administrative costs to SEPs and other retirement plans used by small businesses hold the potential to expand private retirement plan participation rates by no more than about 4 percentage points, from 42 to 46 percent of all U.S. workers (see app. III).

[13]While excluding some part-timers might encourage SEP sponsorship, doing so could decrease the number of participants in some SEP plans. However, we do not believe this would be significant. Currently, employers desiring to exclude part-timers from plan participation may do so under other defined contribution plans. Also, the number of part-timers participating in a SEP at present is probably less than 1 percent of all small business employees.

[14]Participation rates among eligible employees in 401(k) plans are higher when the employer matches employee contributions. See 401(k) Plans: Participation and Deferral Rates by Plan Features and Other Information (GAO/PEMD-88-20FS, Apr. 1988).

As we were not reviewing specific agency functions or programs, we did not obtain written comments on this report. We did however, ask SBA to review our use of their preliminary survey results, and they generally agreed with our representation. We are sending copies of this report to other interested congressional committees and will make copies available to others who request them. The major contributors are listed in appendix IV.

Sincerely yours,

Joseph F. Delfico

Joseph F. Delfico
Director, Income Security Issues

Contents

Abbreviations

BLS	Bureau of Labor Statistics
DC	defined contribution pension plan
GAO	General Accounting Office
IRA	individual retirement account
POWER	Pension Opportunities for Workers' Expanded Retirement
SARSEP	salary reduction SEP
SBA	Small Business Administration
SEP	simplified employee pension

Scope and Methodology

To accomplish our study objectives, we reviewed background literature concerning retirement plan coverage among small businesses, including studies conducted by federal agencies and private sector employee benefits research organizations and articles from financial magazines and journals. We interviewed officials from the Internal Revenue Service, the Department of Labor, and the Small Business Administration as well as private sector retirement plan experts. In addition, we solicited views on retirement plan reform from relevant associations and small business advocacy groups. Finally, we reviewed testimony from recent pension reform hearings.

We made extensive use of findings from a 1991 survey of retirement plan coverage in small and large firms conducted under contract with the SBA.[1] The study was undertaken to help determine the optimal role of public policy in expanding small business retirement plan coverage. The contractor surveyed a nationally representative sample of about 1,200 private, for-profit businesses concerning the provision of retirement plan benefits, specific reasons for not providing such benefits, and factors that would influence employers to provide benefits. The response rate was about 50 percent. Given the detailed procedures used by the contractor in designing and conducting the survey, and the general lack of data concerning pension plan sponsorship, we believe the SBA survey is a useful source of data for purposes of our analysis. During our review, we focused on the availability of small business retirement plans. We did not assess the value of benefits to be provided by the various types of defined contribution plans used. Our work was conducted between September 1991 and March 1992 in accordance with generally accepted government auditing standards.

[1]Lewin/ICF.

Provisions of Proposed Legislation That Would Modify Simplified Employee Pensions

Retirement plan legislative reform proposals introduced in the 102nd Congress contain provisions that would modify or replace current SEP rules. Table II.1 summarizes the provisions that apply to SEPS or newly proposed small business plans.

Table II.1: Provisions of Proposed Legislation That Would Modify Simplified Employee Pensions

Proposed legislation (primary sponsor)	Provision				
	Employee eligibility requirements	Safe harbor provisions[a]	Expand eligibility to employers with 100 employees	Repeal 50% participation requirement	Simplify ADP[b] and employer matching tests
POWER proposal[c] (Dept. of Labor)	No provision	Employer must make a nonelective contribution of 2 percent of each employee's compensation. No discrimination testing is required.	Yes	Yes	Yes
S 318[c] (Senator Packwood)	May limit plan to employees who work 1,000+ hours per year.	Employer must match 100% of employee contributions up to first 3% of compensation. No discrimination testing is required.	Yes	Yes	Not applicable
S 1364 (Senator Pryor)	May limit to employees who have worked 1,000+ hours for 1 year	No discrimination testing if: Employer matches 100% up to first 3% of employee compensation and 50% on the next 2%, or Employer makes a nonelective contribution of 3% of each employee's compensation	Yes	Yes	No provision
HR 2641 (Representative Chandler)	May limit to employees who have worked 1,000+ hours for 1 year.	No discrimination testing if: Employer matches 100% up to first 3% of employee compensation, or Employer matches 50% up to 6% of employee compensation, or Employer makes a nonelective contribution of 3% of each employee's compensation.	Yes	Yes	Yes
HR 2730 (Representative Rostenkowski)	No provision	Employer must make a nonelective 3% contribution to all employees. No discrimination testing is required.	Yes	Yes	Not applicable

[a]A plan-based design option that relieves employers from conducting discrimination tests.

[b]Average deferral percentage.

[c]Does not amend current SEP rules but creates a new SEP-like small business plan.

Appendix III

Potential for Coverage Expansion

In its 1991 retirement plan survey, the Small Business Administration asked employers what primary event would cause them to begin sponsoring a pension plan. We used the information obtained (see table III.1) along with other data from the survey to determine the number of firms that would be likely to sponsor a plan in response to incremental policy changes and the effect on worker coverage rates.[1]

Table III.1: Primary Event That Would Cause Small Employers to Sponsor a Retirement Plan

	Percent of employers that would sponsor a plan, by firm size (no. of employees)	
Primary event	**Fewer than 25**	**25-99**
No interest in starting a plan[a]	36.9%	20.0%
Increased profits, greater income stability, or improved economy[b]	36.1	38.4
Workforce changes such as lower turnover or more full- time employees	7.1	13.9
Increased employee demand	6.6	8.1
Lower set-up or annual administrative costs	4.7	7.8
Less costly or burdensome federal laws/regulations	4.7	1.5
Greater benefits allowed for owners	2.5	6.1
Greater federal tax subsidies	1.3	4.1

[a]Includes firms that said that nothing would cause them to sponsor a retirement plan or that they would do so only if required by federal law.

[b]Includes firms that said they were looking into a plan or would start one soon.

Source: Lewin/ICF.

We counted the number of firms that said they might sponsor a plan as a result of changes in federal laws or regulations, or lower set-up or administrative costs (see last four events listed in the table). The number that indicated they would respond to these changes does not include those who stated that (1) they had no interest in starting a plan and (2) a change in economic factors would cause them to sponsor a plan.[2]

[1]This appendix is intended to provide an illustrative GAO estimate of the potential for expansion of plan sponsorship and worker coverage, based on employer responses in the SBA data. There can be different interpretations of employer responses, which may not correspond to actual behavior, given policy changes.

[2]In the latter case, we assumed no change in the economic environment. The firms in the SBA data base were surveyed in 1991 following the peak of the longest peacetime economic expansion. It is reasonable to assert that the situation is unlikely to improve in the slower growth environment of the 1990s.

Computing average firm sizes and applying this to the number of firms that would respond to incentives allows us to estimate the potential number of workers that could have a pension plan made available in their firm. This number could be considered as an upper-bound estimate of the number of workers that could become covered by a SEP or by some other type of plan, assuming an "ideal" package of provisions that would encourage the maximum potential sponsorship. In all, 13.2 percent of firms with fewer than 25 employees said they would respond to policy changes or lower administrative costs, as the table shows. This translates to about 600,000 firms and an estimated 2.35 million workers. If all these firms sponsored a plan, plan availability rates in the SBA data would increase from their current 17.8 percent to about 26.5 percent for firms with fewer than 25 employees.

Applying our calculations across all firm size categories, we estimate that a total of 4 million workers potentially could have a plan made available to them as a result of policy changes or lower administrative costs. This would increase the overall plan availability rate from 64.1 to 68.1 percent and if all of the workers were also "covered," the overall pension plan coverage rate from the current 41.8 to 45.9 percent.

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